

DRAFT

**QUONSET DEVELOPMENT CORPORATION
MEETING OF THE AUDIT-FINANCE COMMITTEE**

OCTOBER 17, 2013

PUBLIC SESSION MINUTES

A meeting of the Audit Finance Committee of the Quonset Development Corporation (the “Corporation”) was held at 4:00 p.m. on Monday, October 17, 2013, at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Audit-Finance Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following directors constituting a quorum were present and participated throughout the meeting as indicated: Guy Asadorian, Jr., Robert H. Breslin, Jr., and Barbara Jackson. Also present were: Steven J. King, P.E, Managing Director and Kevin M. Barry, Finance Director.

1. CALL TO ORDER:

The meeting was called to order at 4:13 p.m. by Ms. Jackson.

2. APPROVAL OF MINUTES:

Upon motion duly made by Mr. Asadorian and seconded by Ms. Jackson, the Committee:

VOTED: To approve the public session minutes of September 16, 2013 as presented.

Voting in favor were: Mr. Asadorian and Ms. Jackson.

Voting Against were: None.

Unanimously Approved.

Mr. Breslin joined the meeting at 4:25 p.m.

3. REVIEW FY 2015 OPERATING BUDGET:

Mr. Barry presented the Committee with the FY 2015 Operating Budget and stated that the Corporation expects continued growth in revenues for FY2015 while expenses are expected to remain relatively flat. Mr. Barry explained that forecasting the budget two years in advance can often result in a noticeable discrepancy between the actuals and budget, but the Corporation leans toward the

conservative side in budgeting, so actuals are usually better than budgeted.

Mr. Barry reviewed the FY2015 budget spreadsheet (Exhibit A) pointing out the projected total revenues show a one million five hundred dollar (\$1,500,000.00) increase in FY2015 in comparison to FY2014. Mr. Barry explained the difference is primarily due to the DeepWater Wind option agreement and several other lease agreements which were not in place at the time the FY2014 budget was created. Mr. Barry noted other increases in revenue from Pier Income, mostly a result of new Tariff rates and increased port traffic; Water and Wastewater Income increases due to rate increases and usage and the Municipal Services Income from the Town of North Kingstown now in full payment status compared to the phased in revenue reflected in FY2014. Mr. Barry noted one decrease in projected FY2015 revenues in income received from Rhode Island Airport Corporation for management services as a result of the potential loss of the current tenant in the next year. Mr. Barry continued reviewing the budget and stated employees were given a three percent (3%) increase and overtime and fringe benefits were both based on current levels under personnel expenses. Mr. Barry then noted a change to the FY2015 budget was the inclusion of a 'Debt Service' category to reflect projected principal related to dredging, vehicles and property loans. Mr. Barry added interest for those loans are reflected under operating expenses. Finally, Mr. Barry stated three million dollars (\$3,000,000.00) was budgeted for

Capital Infrastructure Funding leaving an operating surplus of just forty-one thousand seven hundred eighty-nine dollars (\$41,789.00).

Mr. Barry detailed the Operating Expenses (Exhibit B) on the FY2015 budget and noted a GASB change resulted in the way commissions were reflected on the budget and therefore, a decrease in commissions for the FY2015 budget is indicated. Mr. Barry explained the change, stating in the past, the Corporation had spread one million dollars (\$1,000,000.00) in prepaid commissions out over the qualifying lease term related to that commission but under the new rules, commissions must be reflected in the year earned. Mr. Barry explained he used the data available to estimate commissions but will have more information in FY2015. Mr. Barry explained that “Other Operating Expense” under Operating Expenses includes unexpected items related to the MBQ lease, a grant managed for Rhode Island Fast Ferry, specifications services for Port access control, a Coast Guard fine, and other miscellaneous items.

Mr. Barry reviewed the variance analysis between the FY2015 Budget and the FY2014 Budget for Revenues (Exhibit C) and noted that increased rental revenues result from new lease agreements signed during the FY2014 budget that were not projected. Pier Income also increased due to Ship Traffic and increased Tariff rates. Mr. Barry stated that the Corporation now employs a full time staff for security at the Port through an outside agency. As a result, this ongoing expense is now reflected under Operating Expenses in the budget

and the funds reflected back into the Pier Income budget.

Mr. Barry reviewed the variance analysis between the FY2015 Budget and the FY2014 Budget for Expenses (Exhibit D) specifically noting that interest payments will decrease, largely due to decreasing balances for financed property.

Mr. Barry went over the Capital Expenditure Plan for FY2015 (Exhibit E) noting three hundred thirty two thousand dollars (\$332,000.00) will come from FY2014 incoming cash and three million dollars (\$3,000,000.00) from the operating budget, and two hundred twenty thousand dollars (\$220,000.00) from the infrastructure fees will fund the three million five hundred fifty five thousand (\$3,555,000.00) Capital Projects.

The Committee agreed the FY2015 Budget was strong and ready for presentation to the full Quonset Development Corporation Board of Directors.

There being no further business to come before the Committee, upon motion duly made by Mr. Breslin and seconded by Mr. Asadorian, the meeting was adjourned at 5:01 p.m.

Respectfully submitted:

By:_____

Kevin M. Barry

Finance Director